



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
WARREN COUNTY SHERIFF**

Calendar Year 1999

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY
WARREN COUNTY
JERRY GAINES, SHERIFF
CALENDAR YEAR 1999
FEE AUDIT

Audit Results:

The Auditor of Public Accounts has issued an unqualified opinion on the Warren County Sheriff's financial statements for calendar year 1999. An unqualified opinion is an opinion issued when the auditor, based on the audit work performed, believes the financial statements of the auditee are presented fairly in all material respects.

Statement of Receipts, Disbursements, and Excess Fees:

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county fiscal court fund and periodically paid to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The financial statements of the Warren County Sheriff's 75% fund reflect receipts of \$2,092,904 and disbursements of \$2,191,731 resulting in a deficit fund balance of \$98,827 for calendar year 1999. The 25% county fund had receipts and disbursements of \$287,999 resulting in a zero fund balance.

Grant:

During calendar year 1999, the Warren County Sheriff's office had a grant from the Kentucky Law Enforcement Foundation Program Fund of \$129,318 to fund incentive pay through the Commonwealth of Kentucky Department of Criminal Justice Training.

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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Michael Buchanon, Warren County Judge/Executive

Honorable Jerry Gaines, Warren County Sheriff

Members of the Warren County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts and disbursements of the Sheriff of Warren County, Kentucky, and the statement of receipts, disbursements, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 1999. These financial statements are the responsibility of the Sheriff. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff is required to prepare the financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the receipts and disbursements of the Sheriff and the receipts, disbursements, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 1999, in conformity with the basis of accounting described above.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Michael Buchanon, Warren County Judge/Executive

Honorable Jerry Gaines, Warren County Sheriff

Members of the Warren County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated August 7, 2000, on our consideration of the Sheriff's compliance with laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -

August 7, 2000

WARREN COUNTY
JERRY GAINES, SHERIFF
STATEMENT OF RECEIPTS AND DISBURSEMENTS

Calendar Year 1999

Receipts

State Grants		\$	132,415
State Fees for Services			277,543
Circuit Court Clerk			69,797
Fiscal Court			913,611
County Clerk			6,342
Commission on Taxes			696,358
Fees Collected for Services:			
Auto Inspections	\$	45,005	
Serving Papers		111,569	
Executions		1,070	
Carrying Concealed Deadly Weapon Permits		25,745	
Sheriff's Advertising Fees		8,098	
Sheriff's Add On Fees		<u>70,931</u>	262,418
Other Receipts:			
Payroll Reimbursements	\$	10,221	
Psychiatric Transport		3,415	
Drug Funds		101	
Transporting Prisoners		29,976	
Interest Earned		14,783	
Miscellaneous		<u>574</u>	<u>59,070</u>
Gross Receipts		\$	2,417,554

Disbursements

Payments to State:			
Carrying Concealed Deadly Weapon Permits	\$	17,213	
Other Disbursements:			
Prisoner Transports	\$	15,808	
Reimbursements		3,267	
Bank Charges		<u>363</u>	<u>19,438</u>
Total Disbursements			<u>36,651</u>

WARREN COUNTY

JERRY GAINES, SHERIFF
STATEMENT OF RECEIPTS AND DISBURSEMENTS
Calendar Year 1999
(Continued)

Net Receipts		\$ 2,380,903
Payments to State Treasurer:		
75% Operating Fund	\$ 2,092,904	
25% County Fund	<u>287,999</u>	<u>2,380,903</u>
Balance Due at Completion of Audit		<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statements.

WARREN COUNTY
JERRY GAINES, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES OF THE
SHERIFF'S OPERATING FUND AND COUNTY FUND WITH THE STATE TREASURER

Calendar Year 1999

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 1999	\$	\$	\$
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	2,092,904		2,092,904
Fees Paid to State - County Funds (25%)		287,999	287,999
Total Funds Available	<u>\$ 2,092,904</u>	<u>\$ 287,999</u>	<u>\$ 2,380,903</u>
<u>Disbursements</u>			
Warren County Government	\$	\$ 287,999	\$ 287,999
Personnel Services-			
Official's Statutory Maximum	74,269		74,269
Deputies Salaries	1,252,616		1,252,616
Overtime	129,756		129,756
Employee Benefits-			
Social Security	105,780		105,780
Retirement	107,271		107,271
Health Insurance	128,660		128,660
Contracted Services-			
Advertising	11,648		11,648
Vehicle Maintenance and Repairs	38,176		38,176
Supplies and Materials-			
Office Materials and Supplies	22,502		22,502
Uniforms	34,994		34,994
Gasoline	48,745		48,745
Other Charges-			
Training and Travel	13,415		13,415
Telephones, Fax, and Cellular Phones	40,582		40,582
Postage	16,289		16,289
Law Enforcement Equipment	53,042		53,042
CRT Team	17,888		17,888
Bond	3,756		3,756
Computer Software and Upgrade	53,707		53,707
Computer Maintenance and Support	11,113		11,113

WARREN COUNTY

JERRY GAINES, SHERIFF

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES OF THE
 SHERIFF'S OPERATING FUND AND COUNTY FUND WITH THE STATE TREASURER
 Calendar Year 1999
 (Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Disbursements (Continued)</u>			
Auto Expenses on Vehicles-			
Insurance-Unemployment	\$ 2,886	\$	\$ 2,886
Leased Vehicle	6,477		6,477
Miscellaneous	15		15
Capital Outlay-			
Office Equipment	18,144		18,144
Total Disbursements	<u>\$ 2,191,731</u>	<u>\$ 287,999</u>	<u>\$ 2,479,730</u>
Fund Balance - December 31, 1999	<u>\$ (98,827)</u>	<u>\$ 0</u>	<u>\$ (98,827)</u>

The accompanying notes are an integral part of the financial statements

WARREN COUNTY
JERRY GAINES, SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

December 31, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and periodically paid to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

B. Basis of Accounting

The financial statements have been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The Attorney General issued a letter, which stated that some receipts of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are receipted in the 75 percent fund.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

WARREN COUNTY
JERRY GAINES, SHERIFF
NOTES TO THE FINANCIAL STATEMENTS
December 31, 1999
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent. Hazardous covered employees are required to contribute 7.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 17.55 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of July 7, 2000, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

Note 4. Lease

The office of the Sheriff is committed to a lease agreement for a 1999 Toyota Four Runner. The agreement requires a monthly payment of \$386 for 36 months to be completed on December 1, 2001. The total balance of the agreement is \$8,867 as of December 31, 1999.

WARREN COUNTY
 JERRY GAINES, SHERIFF
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 1999
 (Continued)

Note 5. Reimbursed Expenditures

The amount deposited to the Sheriff's Expense Fund (75%) with the Kentucky State Treasurer included reimbursed expenditures. The reimbursed expenditures include payments from the state and payments from the county, as well as refunds. The following amounts totaling \$1,228,901 were reimbursed expenses, which were 100% credited to the Expense Fund (75%):

Kentucky Law Enforcement	
Program Fund	\$ 129,318
Payroll Reimbursement	10,221
Fiscal Court Assistance	912,291
Refunds	5,799
100% Fees	<u>171,272</u>
Total	<u>\$ 1,228,901</u>

Note 6. Imprest Cash Fund

The Sheriff maintains an Imprest Cash Fund. During calendar year 1999, there were \$2,600 of receipts and expenditures that were not included in the Sheriff's financial statement. The receipts consisted of an automobile insurance claim, jury meals, and a payroll advancement, that were reimbursements for corresponding expenditures.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Michael Buchanon, Warren County Judge/Executive
Honorable Jerry Gaines, Warren County Sheriff
Members of the Warren County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the Warren County Sheriff as of December 31, 1999, and have issued our report thereon dated August 7, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Warren County Sheriff's financial statements as of December 31, 1999, are free of material misstatement, we performed tests of compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Warren County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Michael Buchanon, Warren County Judge/Executive
Honorable Jerry Gaines, Warren County Sheriff
Members of the Warren County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 7, 2000

